Sandon Capital

Lonsec Recommended

MONTHLY REPORT

Sandon Capital Activist Fund (SCAF)

Entry Price	Exit Price
$1.9157	$1.9043

NOVEMBER 2022

PERFORMANCE RESULTS

	1 month	1 year	3 years (p.a.)	5 years (p.a.)	Annualised since fund inception	Total Return since Fund inception
SCAF	-1.6%	-28.6%	3.2%	5.9%	9.7%	**242.1%**
S&P/ASX 200 Accum.	6.6%	5.0%	5.9%	8.2%	8.3%	**187.5%**
Small Ordinaries Accum.	4.9%	-14.0%	2.6%	4.4%	4.6%	**80.5%**
Cash	0.2%	0.7%	0.4%	0.9%	2.3%	**34.8%**

FUND COMMENTARY

The Fund return for November 2022 was -1.6%, bringing total returns (net of all fees and expenses) since inception to the equivalent of 9.7% per annum. Cash levels ended the month at approximately 3%.

The largest contributors to the poor monthly performance were City Chic Collective Ltd (CCX) (-1.9%), Fleetwood Ltd (FWD) (-1.5%) and Coventry Group Ltd (CYG) (-0.6%). These were partially offset by COG Financial Services Ltd (COG) (+1.0%), BCI Minerals Ltd (BCI) (+0.8%) and Deterra Royalties Ltd (DRR) (+0.4%).

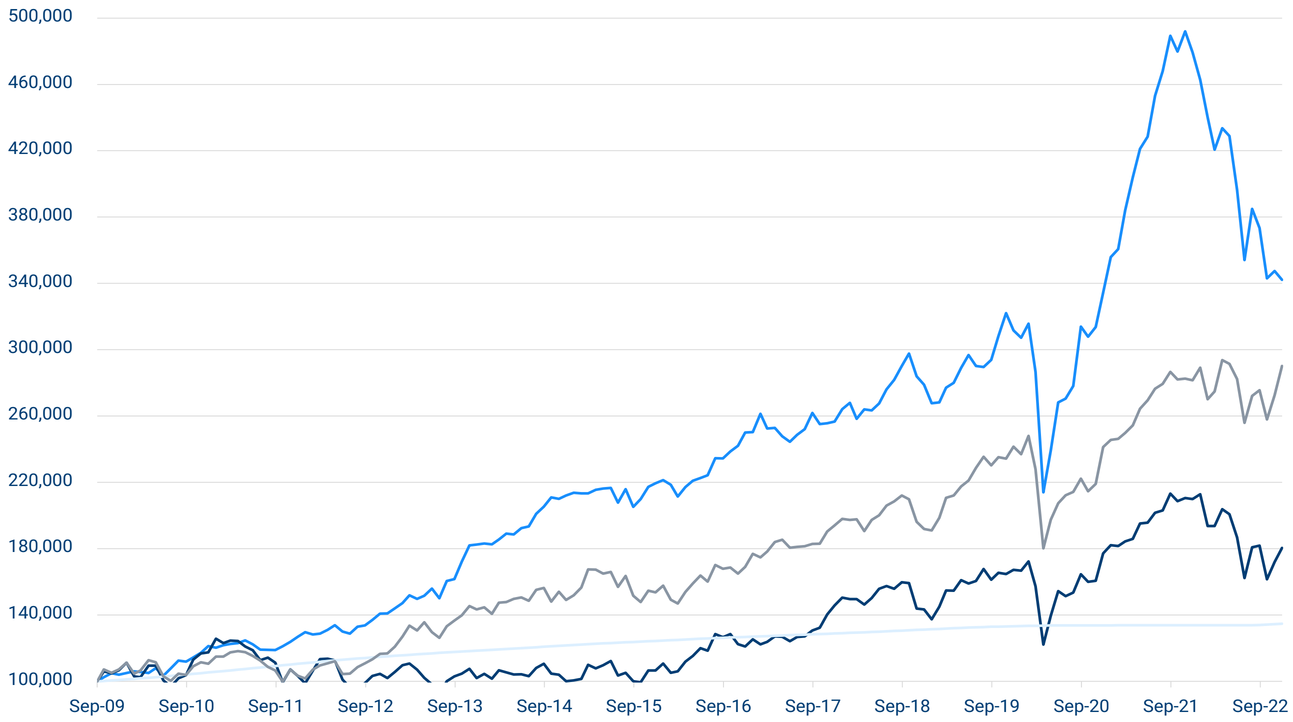
CCX held its AGM during the month. On a positive note, the company reaffirmed their guidance of reduced inventories and aim to be in a net cash position by 30 June 2023. However, this positive was far outweighed by the outlook for demand in the US and Europe and margin compression arising from widespread competitor discounting. US and European logistics costs have also increased, including inventory storage costs and transportation costs. The company also reported above-average product returns, which also led to increased costs. Northern Hemisphere consumers are clearly in pain.

Now, for the mea culpa. We have held the line that CCX was a superior retailer (which we believe remains true) and we thought those skills would see it navigate the current challenges as effectively (and successfully) as they had navigated the COVID-19 pandemic. First, the share price, and now, more importantly, the comments by the company at the AGM make clear we were wrong to think they could dodge two bullets in succession. We remain invested in CCX as we rate the risks of complete failure as low and expect the company to recover from its current malaise. However, beyond that, we are chastened and will refrain from comment until further operational information emerges from CCX.

A2B's AGM provided some very good news and some news taken poorly by some. The good news, which we consider significant, was the turnaround and continued recovery in the core taxi services business. A2B reported that as of October 2022, total fares processed had reached 89% of pre-COVID levels and that the total taxi fleet had reach more than 7,300 vehicles. The fleet numbers represent growth of nearly 7% since 30 June, and places the company in a good position to achieve its FY23 target of 10-15% growth in vehicles. As we mentioned above, we consider this operational update significant as it provides clear evidence of the return to the road of taxis and their drivers. These two measures will drive an increase in fares processed which will flow through to improved revenues for A2B. Following meaningful cost reductions, all this augurs well for A2B to meet its stated guidance. Using the "building blocks" provided by A2B, the company aims to deliver earnings before interest, tax, depreciation and amortisation (EBITDA) of $18 million in FY23. A return to viable operational profits will ultimately deliver long term value to A2B shareholders.

The news perceived less well by some was that A2B had withdrawn from sale its O'Riordan Street property (its largest, most valuable property). Apparently, only bargain hunters were prepared to buy the property. While we would have loved a sale at a good price, and a subsequent large fully franked dividend, we're certainly not in the business of offering bargains to others. We support the Board's decision and are happy to wait for market conditions to bring forth an acceptable offer for what is a large, valuable and strategic parcel of land. In the absence of a sale, owning O'Riordan Street will continue to provide long term growth in value to A2B shareholders. The company did announce that it has entered into exclusive due diligence on its smaller Bourke Road property following the receipt of an acceptable proposal. Assuming that a sale can be completed, we expect A2B to announce a resumption of dividends with its FY23 result.

GROWTH OF INVESTMENT SINCE INCEPTION



PORTFOLIO EXPOSURES

Net Exposure	97%
Net Cash	3%
Long Positions	26
Short Positions	0

TOP 5 POSITIONS

COG Financial Services	20%
Fleetwood	12%
Coventry Group	9%
A2B	7%
BCI Minerals	6%

FUND DESCRIPTION

The objective of the Fund is to deliver returns to investors through a combination of capital growth and distributions. The Fund aims to achieve this objective by seeking to invest in opportunities that are considered by Sandon Capital to be trading below their intrinsic value and that offer the potential of being positively influenced by investors taking an active role in proposing changes in the areas of corporate governance, capital management, strategic and operational issues, management arrangements and other related activities. Neither returns nor capital are guaranteed.

FUND DETAILS

Structure	Wholesale unit trust
Trustee	One Fund Services Ltd
Custodian	One Investment Group
Fund Auditor	EY
Investment Manager	Sandon Capital Pty Ltd
Inception	4 Sep 2009
Minimum Investment	$250,000 (or as agreed with trustee)
Trustee/Admin Fees	0.21%
Management Fees	1.33%
Performance Fees	15.375% of returns above cash
High water Mark	Yes
Buy/Sell Spread	±0.30%
Applications/Withdrawals	Monthly/Quarterly

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